

# The Blue Pages

501 Church Street NE Suite 306 . Vienna Virginia 22180

703.281.7486

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## DOL Files Wage & Hour Suit Against Repeat Offender

The DOL has filed a lawsuit against an employer for failure to comply with a previous injunction and for alleged minimum wage and overtime violations of the FLSA. The DOL claims that the employer owes more than \$100,000 in back wages to its employees for not keeping proper track of hours worked, failing to pay its employees the minimum hourly wage, and failing to pay overtime wages. The employer, a **restaurant** in Missouri, had been investigated by the DOL on two previous occasions where it had been cited with similar violations.

The restaurant's employees worked as servers, busboys, cooks, and dishwashers. The DOL contended that the servers at the restaurant were working only for tips, and the busboys and kitchen staff were working for a fixed weekly rate that did not meet the minimum wage standards.

The Fair Labor Standards Act requires that all employees receive compensation of at least \$5.15 per hour and that all hours worked over 40 each week be paid at a rate of time and a half the employee's regular wages. Federal law requires that tipped employees receive a minimum wage of at least \$2.13 per hour in addition to tips, *and* the combination of tips and wages must average out to at least \$5.15 per hour. Employers are also required to keep accurate records of the hours that their employees work.

The DOL investigates alleged violations of the FLSA and its regulations and can recommend penalties and backpay awards. They can also go to court to seek injunctions barring future violations and can request that the Justice Department take criminal action if the violation warrants it. \*

\* (08/05/2005) Payroll Guide News

## PayMaster for Windows and Time America

**Computer Aid** has been serving the hospitality sector since 1983 and been a valued Time America dealer — Over the past two years, we have been developing new software program that interfaces with TA100Pro and GenPro, time and attendance software/hardware. Developed ***exclusively for the hospitality industry***, easy-to-use PayMaster integrates with time clocks and other popular POS systems to track, manage and report employee tips, higher-pay shifts, multiple incomes, and more. PayMaster has features no other payroll software offers. Plus, with its ability to save employers time and money *and* protect them from costly Dept. of Labor and IRS problems, Windows-based PayMaster will pay for itself !

**Yes, it's time to order W2 forms**



## Business Tax Credit for Employer FICA Taxes Paid on Tip Income

Certain food and beverage establishments are eligible to receive a business tax credit for all or a portion of the employer-paid Social Security and Medicare taxes (**FICA**) incurred on certain tip wages. This business tax credit is claimed on Form **8846**, *Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips*, which is attached to the business tax return of the employer.

*Continued on page 5*

## W2 Special Bulletin

Plan Ahead and Save Money !

You will get a 15% discount if your prepaid order is received by Sept 30.

Only W-2s ordered from us are guaranteed to work with PayMaster

Yes , Its W-2 time already.

W-2 season is fast approaching and the forms will be available soon. This year there have been formatting changes to the forms. Auto update includes the change in W-2 formatting.

- You get the 15% discount when you order and pay early.
- You can save money and you'll have your W-2's in November.
- You won't have to worry about rush shipments.

Don't know which kind to order ? Our most popular style for users is the laser 4-up form.

### Advantages :

- No need to collate each employee's copies- they're all on one page, as shown on the right. Just fold and put in the window envelope !
- No need to line up those pesky boxes on a dot-matrix printer.
- No need to worry if your dot matrix printer can handle the 4-part or 6-part pin-feed W-2's. Each page is one employee's complete set of W-2's. Print the employee set. Print the state set. Print the federal set. Print the company set. All done. No collating. **Couldn't be easier!**

**4-UP EMPLOYEE**

<input type="checkbox"/> <b>Copy B for Federal</b>				<input type="checkbox"/> <b>Copy 2 for State, Local</b>			
Copy B To Be Filed With Employer's FEDERAL Tax Return <b>2003</b> OMB No. 1545-0045				Copy 2 To Be Filed With Employer's State, City, or Local Income Tax Return <b>2003</b> OMB No. 1545-0045			
1 Social Security number	2 Wages, tips, other comp.	3 Federal income tax withheld	4 Social security wages	5 Social security tax withheld	6 State income tax withheld	7 State income tax	8 State social security wages
9 Employer's name, address, and ZIP code	10 Employer's federal ID number	11 State income tax	12 Local income tax	13 State social security wages	14 State social security tax	15 State unemployment tax	16 State disability insurance
17 State unemployment tax	18 State disability insurance	19 Local income tax	20 Local social security wages	21 Local social security tax	22 Local unemployment tax	23 Local disability insurance	24 Local social security wages

<input type="checkbox"/> <b>Copy C for Employee</b>				<input type="checkbox"/> <b>Copy 2 for State, Local</b>			
Copy C For EMPLOYEE'S RECORDS (See Notice to Employees on back of Copy B) <b>2003</b> OMB No. 1545-0045				Copy 2 To Be Filed With Employer's State, City, or Local Income Tax Return <b>2003</b> OMB No. 1545-0045			
1 Social Security number	2 Wages, tips, other comp.	3 Federal income tax withheld	4 Social security wages	5 Social security tax withheld	6 State income tax withheld	7 State income tax	8 State social security wages
9 Employer's name, address, and ZIP code	10 Employer's federal ID number	11 State income tax	12 Local income tax	13 State social security wages	14 State social security tax	15 State unemployment tax	16 State disability insurance
17 State unemployment tax	18 State disability insurance	19 Local income tax	20 Local social security wages	21 Local social security tax	22 Local unemployment tax	23 Local disability insurance	24 Local social security wages

Please visit our web site for  
New products and updates.  
[www.computeraid-llc.com](http://www.computeraid-llc.com)



**Yes, there is a way to avoid  
Printing W-2s.  
Have ComputerAid print them  
For you !**

Purchase the forms but tell us to hold them. At the end of the year, send us your data along with the totals page from your plain paper W-2s (after double checking the data). We'll print the W-2s and ship them to you.

Please call for price and scheduling information.



**No need to worry about employee  
4-up forms lining up on your laser!  
Order the W-2 Printer Program.**

If you print a large numbers of W-2's, and/or have problems printing the employee copies on your laser, **consider getting the W-2 Printer Program from Computer Aid.** This separate module works with *PayMaster Classic* and **HP Laser printers** with "tax fonts" installed, by taking your *PayMaster* data and printing the W-2's on blank perforated paper. Just order the W-2 Printer Program, special blank perforated laser paper, and print the actual form as well as the data – **all at the same time**. If you don't file magnetic media, you can also order the SSA red copies from Computer Aid. Call us for more information.

No matter which type of laser W-2 you choose (preprinted or plain perforated), *PayMaster* will print the employee copy 4-up.

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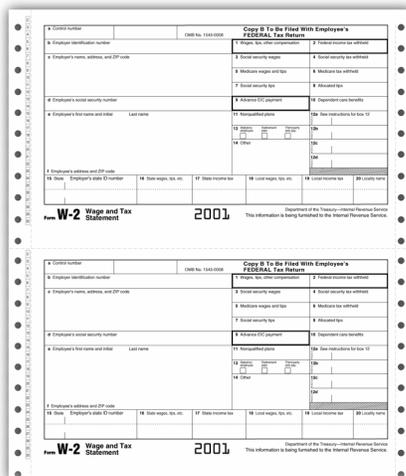
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**Laser printer W-2s**

If you have a laser printer you have three choices.

1. Preprinted laser forms with a 4-up for the employee. No collating required.
2. Preprinted laser forms with a 2-up form for the employee. Use if you have two local taxes or if your laser printer can't handle the 4-up form.
3. The W-2 Printer program that lets you print on blank perforated paper on your laser printer.

\*\*\*\*\*



We also sell **payroll checks** that are compatible with our *PayMaster Classic* and the new *PayMaster for Windows*. In using a new vendor, we are finding accuracy and faster service. For pricing details, visit our website or call Karen at 703.281.7486.

**Order Early And Save !!!**

The earlier we receive your prepaid order the **larger** the discount.

- By Sept. 30, 15% off
- By Oct. 31, 10% off
- By Nov. 30, 5% off



# Which W2 forms should you order?

**Laser preprinted 4 part includes:**

- √ Employee 4-up
- √ Copy A
- √ Copy D

*Example:* If you order 100 laser 4-part you would get:

100 Employee 4-up, 50 Copy A, 50 Copy D

**Laser preprinted 6-part includes:**

- √ Employee 4-Up
- √ Copy A
- √ Copy D
- √ Copy 1

*Example:* If you order 100 laser 6-part you would get:

100 Employee 4-up, 50 Copy A, 50 Copy D, 50 Copy 1

**Laser preprinted 8-part includes:**

- √ Employee 4-Up
- √ Copy A
- √ Copy D
- √ (2) Copy 1

*Example:* If you order 100 laser 8-part you would get:

100 Employee 4-up, 50 Copy A, 50 Copy D, 100 Copy 1

**1-wide 4-part for dot matrix includes:**

- √ Employee Copy
- √ Copy A
- √ Copy D

**Twin sets (3-part each side) includes:**

- √ Employee Copy
- √ Copy A
- √ Copy D
- √ Copy 1

**Twin sets (4-part each side) includes:**

- √ Employee Copy
- √ Copy A
- √ Copy D
- √ (2) Copy 1

**The Mag Media 4-part mailer with carbons, has a self-contained envelope which includes:**

- √ Employee Copy
- √ Copy A
- √ Copy D

**1099 Forms:**

Copy A is for the IRS, State Copy,  
Copy B is for Employee Records,  
Copy C is for the Employers Records

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## TAX FORM DEFINITIONS

**Employee 4-Up form** is one page on which includes:

W-2 employee copy  
Employee Copy B to be filed with Federal return  
Employee Copy 2 (2 forms) for state and local tax returns  
Employee Copy C for your own records

**Copy A** (1 page equals two forms)  
Employer Social Security Filing

**Copy D** (1-page equals two forms)  
Employers copy

**Copy 1** (1 page equals two forms)  
state, city or local tax

**W-3 Form** is the Social Security Administration Summary Form for total wages, taxes, etc., paid by the employer.

## Dot Matrix W-2s

**Double wide dot matrix forms have been discontinued.** In August, we were informed from our supplier, that they have discontinued the double wide dot matrix forms with the RED on the left. The alternative is to order the single wide dot matrix, change to laser, use the printing module or have us do the printing for you with laser or dot matrix. Self mailer are still available in the single wide.

Also, take advantage of our discounts by pre-paying and ordering early. Order in September and receive 15% off, order in October and receive 10% off and 5% off in November.

## Understanding the Responsible Person Penalty

Under IRC §6672(a), if an employer fails to properly pay over its payroll taxes, the IRS can seek to collect the taxes from a responsible person — i.e., a person who is responsible to collect, account for, and pay over taxes and who willfully fails to perform his responsibility. The term "person" (as defined in IRC §6671(b)) includes an officer or employee of a corporation or a member or employee of a partnership, who, as an officer, employee, or member of the corporation or partnership, is under a duty to collect, account for, or pay over the tax. A responsible person could be a director, an accountant, a comptroller, or even a payroll manager. A responsible person is subject to a penalty equal to the total amount of tax evaded or not collected, or not accounted for and paid over. The penalty is a personal one and the IRS need not attempt to collect from the corporation or partnership before making an assessment against the responsible person.

Courts review the facts and circumstances of each case before issuing rulings on the responsible person penalty. Courts often look at whether a person: (1) served as an officer of the company or as a member of its board of directors; (2) controlled the company's payroll; (3) determined which creditors to pay and when to pay them; (4) participated in the day-to-day management of the corporation; (5) possessed the power to write checks; and (6) had the ability to hire and fire employees. \*

*\*(08/19/2005) Payroll Guide Newsletter*

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### **Business Tax Credit for Employer FICA Taxes Paid on Tip Income**

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● **Eligibility to claim the credit**—A company is eligible for this business tax credit if any of its employees received tips for serving or delivering food, provided such tipping is customary and the employer paid or incurred Social Security and Medicare taxes on these tips. (For services performed prior to 1997, the business tax credit could be claimed only if food and beverages were purchased for consumption on the premises.)

● **Computing the business tax credit**—Employers are allowed a business tax credit equal to the amount of employer **FICA** tax (at 7.65% for 2004 and 2005) on all taxable tip income less the **FICA** tax on the portion of tips used to satisfy the federal minimum wage requirement.

**EXAMPLE:** Employee Jim's regular rate of pay is \$4.15. His tip income was \$150 for the week and he worked 40 hours at his regular rate. The business credit is computed as follows:

**1. Determine total credit due as follows:**

\$150 (tip income) × 7.65% = \$11.48 (total employer **FICA** tax for weekly pay period)

**2. Determine reduction in credit as follows:**

\$5.15 (federal minimum wage) - \$4.15 = \$1 (hourly portion of pay not eligible for credit)

\$1 × 40 hours worked in the weekly pay period = \$40 (portion of weekly pay not eligible for credit)

\$40 × 7.65% = \$ 3.06 (reduction in business tax credit)

**3. Compute net business tax credit as follows:**

\$11.48 (total employer **FICA** tax for weekly pay period)

Less \$3.06 (reduction in business tax credit)

Equals \$8.42 (business tax credit for payroll period)

Because the regular rate of employees can vary from payroll period to payroll period, it is essential that the business tax credit be computed on a pay period basis and stored and accumulated until it is time to close the file for the business tax return period.

● **Filing the credit with the business tax return.**

When the business tax return is filed, the tax credit is reported in Part I of Form **8846** and attached to the corporate tax return or other business income tax return which applies to the entity. Because Form **8846** requires additional information not typically available to a payroll department, payroll systems should provide a **FICA** credit report or worksheet to be delivered to the person responsible for filing the business tax return. \*\*

\*\* (08/19/2005) Payroll Guide Newsletter

# *PayMaster*

Version 8

Many of our customers have been telling us they recommend *PayMaster* to others in the hospitality business who could use help tracking and reporting wages and tips.

And that's why we've started our new Customer Referral Program.

**Do you know someone else who could use *PayMaster*?**

We'd like to send them a letter about *PayMaster*. If we may, we'll mention your name and offer a special introductory discount. Your colleague is of course under no obligation, but if he or she *does* decide to purchase *PayMaster*, everyone wins ...

- \* **The person you referred gets *PayMaster* at a great price.**
- \* **We get a valuable new customer.**
- \* **And you get 12 months of *PayMaster* support for the price of just 6.**

**That's right, we'll say "Thanks!" by giving you 6 months of *PayMaster* support service ... FREE.**

Please don't miss your chance to do a good turn for a friend – and get a good deal for yourself in return! We'll be in touch with the person you refer — and with you — very soon. And again, thanks for being such a wonderful customer. If you have any questions, just give

Karen a call at (703)-281-8919.

**Don't miss your chance to get 6 months of *PayMaster* support free!**

## PAYING TAXES THROUGH THE PAYROLL SYSTEM

Tipped employees have the option of paying cash to employers to cover their withholding shortages. Although this option is rarely exercised, the payroll system should have the capability of processing this type of transaction. Some employers reduce complications caused by withholding shortages by remitting charged tips through the payroll account. By routing the payment of charged tips to payroll for remittance, withholding tax obligations can be directly deducted from charged tips through the normal gross-to-net process.

Year to Date Unpaid	Current Paid Taxes	Wages	
58.52	71.87		103.00
29.00	1.49	Adjustment	0.00
450.31	23.19	Additional	0.00
125.18	6.45	Income	2103.00
0.00	0.00	Vol Contrib	pay here
663.01	103.00	Adv EIC	0.00
		Net Pay	0.00

**When wages are insufficient to cover tax owed on tips:** Because the employee has already received the tip income (in the case of cash tips), it is necessary to deduct the federal income tax and **FICA** tax due on tip income from the regular wages of the employee. In some instances, tip income may be so substantial that there are insufficient regular wages to cover the total tax debt. In this case, the employee may pay cash to the employer for the amount of tax owed. If the employee does not choose to pay the cash amount to the employer, the IRS requires that employers withhold taxes in the following order:

1. Withhold the **FICA** tax due on the regular wages. (The IRS has no rules with respect to the withholding priority of Social Security and Medicare taxes; however, for ease of computation, it is recommended that employers withhold Social Security tax first (up to the annual limit), crediting any remaining deductions to the Medicare tax liability).
2. Withhold federal, state, and local income tax due on the regular wages.
3. Withhold the **FICA** tax due on tip income.
4. Withhold federal, state, and local income tax due on tip income.

If there is any portion of tax (FITW or **FICA**) that the employer is unable to withhold, the uncollected **FICA** or federal income tax must be withheld from the employee's next regular wage payment. *Federal taxes take priority over state and local taxes.* \* \* \*

## TIPPED EMPLOYEES—OVERTIME

When a tipped employee works overtime, that employee's regular rate of pay includes the amount of the tip credit taken by the employer. Tips received by the employee in excess of the tip credit will not affect overtime payments because they need not be included in the regular rate. Such tips are not payments made by the employer to the employee as wages for employment within the meaning of the law. For example, an employee who receives \$10 per hour in tips and cash wages of \$2.13 still has an overtime rate of 1.5 times the minimum wage.

As with other types of minimum wage employees, the overtime rate for hours worked in excess of 40 hours per week is 1.5 times the minimum wage ( $\$5.15 \times 1.5 = \$7.725$ ). However, the tip credit does not increase for overtime hours. Therefore, the cash wage for overtime hours for tipped employees is \$4.705 ( $\$7.725 - \$3.02$ ), with \$3.02 representing the federal maximum tip credit.

**EXAMPLE —** A food service worker receives the minimum wage of \$5.15. The employee works 60 hours in a workweek and the employer uses the maximum tip credit of \$3.02. The overtime pay for this worker is as follows:

Tip credit ( 60 hours X \$3.02 )	\$181.20
Cash Wages ( 60 hours X \$5.15—\$3.02 )	<u>\$127.80</u>
Total straight compensation	
Employee's regular rate of pay ( $\$309 \div 60$ ) = \$5.15	\$309.00
Overtime premium ( $\frac{1}{2} \times \$5.15 \times 20$ hrs )	<u>+ 51.50</u>
<b>Total compensation</b>	<b>\$ 360.50</b>

\* \* \*

(2005) RIA CheckPoint

### More Ways to Stay Connected

#### Online Customer Update List

In order to keep our customers current with the latest updates and program features, we will be sending email notifications to all our PayMaster customers. To ensure that we have your current email address, please visit our website at: <http://mail.computeraidllc.com/mailman/listinfo/paymaster> or [ollprofessional\\_computeraid-llc.com](http://ollprofessional_computeraid-llc.com). We also have a customer forum where you can chat with other PayMaster clients and share ideas, thoughts and issues. Also found on our website at: [www.computeraid-llc.com/forum/index.php](http://www.computeraid-llc.com/forum/index.php)

STILL TIME TO ORDER PAYMASTER FOR WINDOWS AT SPECIAL PRICING .....

# PayMaster

Version 8

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Visit us on the Web  
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